

DEVELOPMENT ALTERNATIVES, INC./ FINNET (DAI/FINNET)
QUARTERLY REPORT (OCTOBER – DECEMBER 2000)
Contract No. 521-C-00-00-00019-00

CONTRACT OBJECTIVES

USAID Haiti Economics Group:

- Strategic Objective 1: Sustainable Increased Income for the Poor
- Intermediate Result 1.2: Small and Micro-entrepreneurs Economically Empowered

In the context of USAID Haiti's Strategic Objective 1 and Intermediate Result 1.2, DAI/FINNET's goal is to facilitate the development of a microfinance industry in Haiti to serve the working poor. DAI's three pronged approach is to develop industry infrastructure, to build sustainable microfinance institutions (MFIs), and to identify sources of financing for these institutions.

EXECUTIVE SUMMARY

The third quarter was marked by progress in some areas where the groundwork had already been done and in others where the first steps were taken in new initiatives.

Highlights of the quarter from October through December 2000 are:

- ***Micro Insurance:*** Olivier Louis dit Guerin, the UNDP/ILO consultant, who is helping DAI/FINNET to develop a micro insurance product, returned to Haiti for two weeks in December to work with COD/EMH and the Albert Schweitzer Hospital. COD/EMH's objective is to design and test a micro health insurance product for its village bank program clients. During Mr. Louis dit Guerin's mission, a household survey was designed and tested, a tool was created to determine the average cost of health services, and a detailed plan for the conception/feasibility and pilot stages was written. Petit Goave has been selected as the pilot area. Testing is scheduled to be completed by the end of 2001.
- ***Standards Process:*** In December, an introductory meeting was held with DAI/FINNET key partners, who will serve as the working group on standards, to develop financial and performance standards for themselves as our partners and also the Haitian microfinance industry, in general. This marks the beginning of a long, critical process in measuring performance of individual MFIs as well as that of the Haitian MFI industry as a whole. DAI/FINNET's strategy is to encourage the development of transparent peer groups following the example of the MicroBanking Bulletin.

- ***Credit Bureau:*** Having aggressively promoted the idea of creating a credit bureau among donors, financial institutions, and the Central Bank (BRH); DAI/FINNET was honored in November to have a technical officer from the BRH apprise its Credit Information Exchange group about the BRH sponsored project to create a national credit bureau. The credit bureau will initially gather information from only formal financial institutions. MFIs will be included in a second phase.
- ***Credit and Savings Cooperatives Assistance from DID/Desjardins:*** With the official sub-contract between DAI and DID signed and the key personnel in place, DID began its formal program to provide technical assistance to credit and savings cooperatives in the Southeast, South, and Northwest Provinces.

Independent of the DAI/FINNET's technical work, two other phenomenon merit mention. First, due to USAID travel restrictions to Haiti for international consultants and in the provinces for local staff, several activities had to be rescheduled or postponed. The security situation has also posed problems to our MFI partners and their borrowers in terms of portfolio quality.

Second, on what may be another subject partially related to security, DAI/FINNET has noticed an ever increasing of junior and mid-level technicians and managers of MFIs who are resigning to immigrate to other countries. Obviously, this "brain drain" has a severely negative impact on the MFIs affected. Not only are valuable resources on whom time and money have been spent to develop their skills lost, but voids are also created in the management structure that weaken the MFIs short term and longer term performance. Furthermore, it is difficult to find qualified replacements and target dates are delayed.

GENERAL ACTIVITY REPORT:

Similar to the previous quarter, the general activity report is divided into three parts that correspond to the three principal segments of our work. As outlined in TAMIS Document #1, they are: industry component, institution building component, and financing component. Where possible, documents generated from TAMIS will be used as supporting documents for quarterly reports.

INDUSTRY COMPONENT:

Information and Networking:

- **Resource Center**

More work was done to program the dedicated computer of the resource center. The basic design of DAI/FINNET's local website was decided. During the upcoming quarter, it should become operational. A series of list serves were also established to enable the rapid and wide diffusion of information on microfinance to partners.

Relevant information will be forwarded from international list serves such as “devfinance” and “espacefinance” as well as other messages directly from DAI/FINNET. An activity report for the Center is attached for information. (TAMIS Document # 2)

- **Leadership Forums**

No leadership forum was organized in the quarter. The intention had been to have a follow-up meeting co-sponsored by the KNFP on the Associations Law. Delays in getting a copy of the final version presented to Parliament on the one hand, and lack of action of the Parliament on the other, precluded this from happening. Plans are underway to organize a forum next quarter in collaboration with MEDA and COD/EMH to present and discuss agriculture loan products that have already been designed and tested for the local market.

Industry Infrastructure:

- **Credit Information Exchange & Credit Bureau**

Gérard Vaugues, the BRH manager in charge of the project to create a national credit bureau, met with the eight active members of the Credit Information Exchange at its November meeting. He presented to them the findings of the study conducted for the BRH by KPMG and CICLA, a Dominican credit bureau. The study and the pilot project are partially financed by the IDB. DAI/FINNET has been actively lobbying all parties to include MFIs in the credit bureau.

A two-phase program has been designed. During the first phase all commercial banks and their subsidiaries, including those for microfinance, will form a credit bureau. The BRH and the commercial banks will be the shareholders of the special purpose company. During Phase One, which is the pilot project, technical aspects regarding the credit bureau will be sorted out. The first phase is expected to start in the first quarter of 2001 and finish about a year later. Phase Two, in which membership will be opened to all purveyors of credit, should start in early 2002.

It was agreed that the BRH will provide essential information such as equipment and technical specifications and reporting contents and formats to DAI/FINNET during Phase One. DAI/FINNET will use this information to assist the non-bank MFIs to prepare themselves for their eventual membership in Phase Two.

The group also discussed other business that included: more timely submission of data for the monthly bad debtors list, the treatment of solidarity groups, and improvement in the completeness of data submitted such as always including the Tax Payer Identification Number.

The Bad Debtor's List presently has 3,100 names on it, comprised of names of borrowers from all eight of the member institutions. As described below, at the CARM Sud meeting in Les Cayes, local MFIs expressed interest in starting a Credit Information Exchange in the South Province.

New Product Development:

- **Insurance:**

In December, Olivier Louis dit Guerin, the principal consultant for DAI/FINNET's micro insurance product, spent two weeks working with COD/EMH. COD/EMH is the organization that will design and test a micro health insurance product for its village bank program clients. The pilot will be conducted in the region of Petit Goave.

During Mr. Louis dit Guerin's mission, four tools essential for conducting the conception/feasibility stage of product development were designed. Discussion guides were developed for meetings with members of village banks and health care providers. The Village Bank Discussion Outline includes a line of questioning enabling COD/EMH to gather information on the social risks faced by the community, the types of responses used when faced with these risks, and the general interest in a micro-insurance system. This tool will allow COD/EMH to better understand the expectations their clients have of a health micro-insurance product. The Health Services Discussion Outline is similar to the previous tool, but with the objective of gaining a comprehensive portrait of each health provider and their potential involvement in the health insurance system. The third tool is a household survey that when completed will provide information on the average size of households, the maximum premium amount the average household can afford, the types and frequency of illnesses faced by the households, and households' current behavior vis-à-vis health care. The fourth tool is a survey used to determine the average cost of health services from the archives of the health centers.

In Petit Goave, Mr. Louis dit Guerin trained two credit officers in the use of the various tools. The household survey tool was tested with about 20 households and subsequently refined. The Village Bank Discussion Outline was tested with four village banks.

A detailed plan for the conception/feasibility and pilot stages was written for COD/EMH. These two stages will be completed by the end of 2001. Lessons learned and tools developed will be shared with other MFIs interested in micro-insurance.

Mr. Louis dit Geurin also advised the Albert Schweitzer Hospital of Gonaives, a MSH/USAID partner. It will be the test site for a health insurance product delivered directly by a health care provider.

Jocelyn Viau has been contracted to coordinate our activities in micro insurance on an on-going basis. In late December, he traveled to Petit Goave with COD/EMH to conduct the household surveys.

Policy Environment:

- **Legal/ Regulation & Supervision:**

No further action was taken by DAI/FINNET's collaborator, the KNFP, on promoting recommendations to BRH to include specific provisions for MFIs in a new Financial Institutions Act. This was due to no action on the part of the drafters of the law.

Similarly, little progress was made by the KNFP to promote the passage of a new Associations Law. A copy of the legislation sent to members of Parliament was obtained and informal meetings were held between individual members of the Parliament and the KNFP. Confirmation was made that the provisions in the draft law answer many of the concerns of NGOs, even though the draft law is not the exact one submitted by the NGOs.

INSTITUTION BUILDING COMPONENT:

Non-Bank Technical Assistance:

- **Institutional Assessments:**

Institutional evaluations and training needs assessments were completed for COD/EMH, ACME, and MEDA. The process is nearing completion for ACLAM and FINCA. Draft Technical Assistance Agreements have been drawn up and are under negotiation with the first three partners. Simultaneously, the first year's work plan is being written for each institution. To the extent possible, reporting requirements are being made to conform with those of other donors, in particular UNDP/Microstart with whom DAI/FINNET shares several partners.

- **Individual Institutional Interventions:**

COD/EMH: AGIR continued work on COD/EMH's accounting system. The accounting plan was studied and certain revisions suggested. After approval from COD/EMH on the new structure of the plan and all the accounts, the structure was set up in ACCPAC. A training manual is being drafted for the accountant and financial director as a reference document for working on ACCPAC. This manual will allow COD staff to use the software appropriately and to train new members of the team as necessary on the software. Later a more specific operations manual will have to be developed.

A debriefing of the findings of the institutional evaluation and training needs assessment was also conducted. The key elements for the Year 2001 work plan came from this de-briefing.

Much progress was made in December on micro-insurance with Olivier Louis dit Guerin's two-week mission and the follow-up technical assistance and support provided by local consultant Jocelyn Viau. A clear strategy for the pilot was established.

ACME: Work on the institutional assessment of ACME was completed. Numerous discussions were held with the leadership regarding the future of the institution. ACME is potentially interested in finding a strategic partner that would be able to offer both financing and technical know-how to the institution. FINNET is advising ACME on various options.

FINCA: Two trips were made to Les Cayes to review and verify the accounting operations of FINCA. Specially, AGIR worked with FINCA's finance office and director to ensure that the books for fiscal year 1999-2000 could be closed properly. AGIR reviewed the financial statements and supporting documents for all the accounts. Recommendations were made to improve the quality of financial information.

Commercial Bank Technical Assistance:

The merger between BUH and Socabank has not yet been completed. The target date for completion is now the end of January 2001 (a seemingly floating date). During the past quarter, DAI/FINNET organized a two-day "Leadership Skills Training" course for all of the credit officers and administrative staff of Krédi Popilè. A total of 25 staff were trained by Francois Jean, who had done similar training for mid-level managers of our NGO partners. Two newly recruited credit officers were also trained to replace two staff that abruptly resigned to immigrate. Assistance was also given in revising a strategic plan for microfinance in the merged entity together with writing an annual workplan that outlines the technical assistance to be provided during the year.

Credit Union Technical Assistance:

Having spent the past six months training regional support staff and planning its activities, DID began its work in earnest after the signing of the sub-contract between DAI and themselves. Based on the research done earlier, ten credit and savings cooperatives in the Southeast were visited. Five potential partners were identified.

An official request for assistance from the Caisse de Marigot has already been received and one is expected from Caisse Espoir de Jacmel. Technical assistance to the Caisse de Marigot could begin in January. DID has identified the potential for some cooperatives to merge to form more viable units. (See Appendix for detailed activity report.)

In January the same process will begin in the South to be followed in March with the Northwest. By the end of the next quarter, it is anticipated that partners will have been identified in each of the provinces with full technical assistance in place in the Southeast.

Training and Tools:

No special tools were completed other than those mentioned in micro insurance. Training events are described under the heading of the individual partners. DAI/FINNET attended one international meeting, described below.

- **SEEP Network Workshops:** Alexia Latortue attended SEEP's annual general meeting and workshops from 16-20 October in Washington, D.C. While there, she learned more about tools for client impact and performance monitoring and evaluation, an issue which is a current topic of discussion at DAI/FINNET and USAID Haiti. She also made contacts with consultants to help us with the development of a micro insurance product, learned about new techniques in internal controls, met with CHF on the microfinance of housing and with CGAP to follow-up on ACME's possibilities of financing. Additional discussions with CGAP were had on the possibility of Haiti falling within the scope of CGAP's local training capacity building initiative and training of local audit firms.

See TAMIS Report #6 for training statistics.

General Advisory Services:

Fonkoze: DAI/FINNET is a member of the working committee to help Fonkoze prepare and implement its conversion to a commercial bank. Other members are a retired governor of the BRH and a lawyer. The initial preparatory work has been done at the BRH and the Ministry of Finance. The bylaws have been drafted. Arrangements for a private placement in the U.S. are well advanced. USD 3 million is the targeted initial capital. It is hoped that by the end of next quarter an application will be filed at the BRH. Advice was also given on Fonkoze's application for capitalization funds from SOFIHDES.

Capital Bank: DAI/FINNET continues to advise Capital Bank on their plans to start microfinance operations. After FINNET performed a quick evaluation of HDF for USAID that revealed HDF has corrected many of its weaknesses, DAI/FINNET recommended to Capital Bank that they meet with HDF to explore possible forms of partnership. Initial meetings were positive and discussions have advanced to the next stage.

GRAIFSI: FINNET organized a seminar on budgeting for Graisi in November. The objective of the seminar was to train staff from the regional offices and headquarters to prepare a budget and financial projections and to analyze trends by comparing projected versus achieved results.

Donor and Technical Service Provider Meetings: This quarter DAI/FINNET staff met with several donors interested in microfinance.

- **Soros Foundation:** Discussions with the Soros Foundation were directed at coordinating assistance to common partners and at exploring the possibilities of Soros financing some of the “industry infrastructure” work promoted by DAI/FINNET.
- **GTZ:** GTZ is developing a credit program in the St. Raphael region and wanted advice from us. GTZ plans to offer two products: a storage credit and a small traders credit. Since they hope to use the services of an existing financial institution, we referred them to DID who provides TA to the Credit Union of St. Raphael. We also referred them to MEDA who runs a successful storage credit program.
- **Zamni la Sante:** A NGO working in the provision of health care services in the Plateau Central, Zamni la Santé approached DAI/FINNET for help with its plan to start offering credit services. Zamni la Santé’s interest in offering credit services was borne of a recent study conducted by the NGO that shows that sexually transmitted diseases are widely spread because of 1) mobility of people in search of work; and 2) women's dependence on men for economic survival. Thus, the institution believes that if people can find stable employment in their own communities and if women are more economically independent, a positive result might be seen in terms of the reduction of the prevalence of STDs.
- **ECOSOF:** A local consulting company sought information to help it with its new microfinance institution and to inquire about what technical assistance may eventually be available.
- **IFAD (FIDA):** Gérard Doucet, FIDA consultant, met with FINNET to discuss FIDA's plans in microfinance and the sector in general. Within the scope of a nine year program that include activities in other domains such as the environment and agriculture, FIDA is planning a two-pronged strategy in microfinance. First, FIDA will bring a methodology developed in West Africa called “banque de proximité” to Haiti. This methodology is a cross between a village bank and a credit union. Secondly, FIDA plans to reinforce existing microfinance structures. FIDA plans to create 100 banks and reinforce 100 existing structures over the next six to seven years. FIDA is very interested in developing links with the CARMs established by FINNET.

CARMS:

On 14 December, DAI/FINNET organized its first meeting for MFIs in the South, following up on work begun under PRET. At the meeting, the institutions were introduced to the new manager for CARM – Les Cayes and shown the new premises. The topic of the debate organized was the evolution of microfinance in Haiti. 12 institutions representing diverse methodologies were in attendance. One of the outcomes of the meeting was the decision to proceed with initial discussions about creating a credit information exchange for the South. DAI/FINNET would be the facilitator, much like in Port au Prince.

SIFWIN:

Throughout the quarter, testing of the underlying programming and capacity of the software continued. Particular attention was paid to the reports module, village bank module, and improving general functionality such as reducing memory requirements of the software and the time it takes to access various forms within the software.

Insurance:

See new product development.

FINANCING COMPONENT:

SOFIHDES Technical Assistance:

In addition to serving on the MIF approval committee, DAI/FINNET continued to work closely with SOFIHDES on the operational aspects of the MIF. To avoid duplication, institutional evaluations of MIF applicants who are key partners of FINNET were combined. A review of projected approvals over the next year indicate that the full amount of the MIF may be committed by December 2001. Capitalization requests from GTIH, FINCA, and FONKOZE averaging about USD 180,000 are awaited. Two requests from SADA and GRAIFSI averaging USD 75,000 are also expected. Given this situation, it is recommended that ways of adding funds to the MIF be sought in the near future.

Financing Instruments:

No specific work was done in this area. Each donor to whom DAI/FINNET speaks is reminded of the need for equity of the MFIs and the need for some kind of venture capital fund. ACME has successfully increased its bank borrowings and has also been able to arrange a temporary line of credit from MEDA, who has excess funds.

Small Grants Program:

Negotiations are underway with USAID to convert the Small Grants Program into an institution building financial assistance line item in the budget. It is anticipated that a contract amendment will be signed by February 2001. In the meantime, several opportunities have been identified for uses of funds allocated to the new budget line item for institution building.

FINCA Special Grants:

Four disbursements totalling USD 64,004 have been made by DAI under a special grant to FINCA of USD 80,000. It is expected that the balance will be disbursed in the next quarter.

Nothing has been disbursed from the USD 270,000 in monies that were taken from DAI's USD 300,000 Small Grants program at the specific request of USAID Haiti for downstreaming to FINCA. A grant agreement has not even been written since FINCA has some issues concerning the potential grant. It is hoped that these funds will be freed and placed in the new budget line item for institution building financial assistance.

Financial Services Brokering:

DAI/FINNET recommended the Request for Application for USAID's Microenterprise Implementation Grant Program with MEDA as a possible source of financing for the institution's growth plans. MEDA subsequently submitted a proposal to USAID for USD1.7 million.

PROJECT MANAGEMENT:

Personnel:

DAI/FINNET staff level remains at 15 staff; five senior, five junior, and five support. During the quarter one local consultant was hired, Jocelyn Viau, to work on micro insurance. He was contracted for the period from 17 November 2000 to 16 March 2001. Tom Lenaghan officially transferred from DAI/FINNET to HAP on 24 October 2000.

DAI/FINNET is still awaiting guidance from USAID on how to proceed with requesting approval for a cost of living adjustment for its local staff. The depreciation of the gourde and the subsequent increase in the cost of living has severely impacted the purchasing power of employees. It is to be noted that according to DAI/FINNET personnel policies, staff are entitled to annual merit raises of up to 10%. The average raise is 5-7 %. Cost of living increases, however, are to be treated as exceptions with the approval of USAID.

Results Reporting – Monitoring & Evaluation:

An answer from USAID is still awaited regarding the results that are to be reported to USAID. A written proposal was submitted to USAID in December. A prompt reply is critical as DAI/FINNET needs to include reporting requirements in the TSAs it is signing with key partners, and it also needs to put in place the supporting monitoring and evaluation systems.